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Berkshire

FINE SPINNING ASSOCIATES, INC.

ANNUAL REPORT 1950





EXECUTIVE OFFICES

TURKS HEAD BUILDING, PROVIDENCE, R. I.

SALES OFFICES

40 WORTH STREET, NEW YORK, N. Y.

261 FIFTH AVENUE, NEW YORK, N. Y.

PLANT LOCATIONS

MASSACHUSETTS

ADAMS • NORTH ADAMS • HOLYOKE • FALL RIVER

RHODE ISLAND

ALBION • ANTHONY • WARREN

VERMONT

BRATTLEBORO

CURTAIN FACTORIES

AT WARREN, R. I., AND FALL RIVER, MASS.

LABORATORIES AND MACHINE SHOPS

AT WARREN, RHODE ISLAND



ANNUAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 1950

*To the Stockholders of
Berkshire Fine Spinning Associates, Inc.*

There is presented herewith the annual report for the year ended September 30, 1950.

SALES AND PROFITS

Sales for the year were \$63,466,253, and Profits were \$4,098,514 after all charges including Federal Taxes on Income of \$3,530,000, State Taxes on Income of \$360,000, and Reserve for Replacement of Plant of \$1,200,000. The Profit after all charges amounted to \$2.10 per share on the common stock outstanding at September 30, 1950.

DIVIDENDS

During the fiscal year dividends of \$2,728,081 were paid to common stockholders at the regular rate of \$.35 each quarter. On October 26, 1950 the directors declared the regular quarterly dividend of \$.35 and an extra of \$.35 per share on the Common Stock payable December 1, 1950 to stockholders of record November 17, 1950.

FINANCIAL POSITION

Financially the Company position continues to be strong with Total Capital of \$38,261,722 and Working Capital of \$28,632,385.

PLANT CONSTRUCTION AND IMPROVEMENT FUND

We have set aside in this fund an additional \$1,200,000 this year. We also have restored \$81,500 received by the redemption of a portion of our investment in a correlated company, making a total increase in the Fund of \$1,281,500 for the year. At the end of the year the Fund amounted to \$7,091,207 and is largely invested in Government Bonds.

BUILDINGS, MACHINERY AND EQUIPMENT

The efficiency of the mills has been improved during the year by the purchase of plant assets amounting to \$1,808,116. We have now on order \$1,227,000 worth of new machinery. As we contemplate placing still further orders for equipment, it appears probable that the total purchases for the coming year will exceed those of the year just closed.

**DEPRECIATION**

The Depreciation Reserve for the year was increased by \$608,827. In addition we have added again the amount of \$1,200,000 to the Reserve for Replacement of Plant. We believe the total of these two figures is more in line with the depreciation which should be allowed to reflect the present high cost of new equipment.

EMPLOYEE RELATIONS

Together with most of the rest of the New England cotton textile industry, we gave a 10% increase in wages to our mill employees on September 18, 1950. While this wage increase was not required under the terms of our labor contracts it was given voluntarily following a trend which had been started in other industries in the country.

GENERAL

An active demand for our goods enabled us to run the mills at high capacity throughout the year. We expect that these favorable conditions will continue for some time and that with the continued cooperation of our employees the present high standards of the Company's productive efficiency will be maintained.

The Company anticipates that it will have to pay more for its cotton this coming year than ever before, because of the serious shortage in the cotton supply which has caused the price to rise materially. This shortage, due partially to a poor crop, resulted primarily from the Government's action in curtailing the acreage planted by the cotton farmers last spring.

It is difficult to predict the future especially with the possibility of Government controls being imposed on industry. However, we feel that your Company is in sound shape to meet conditions as they arise.

We take this opportunity to express our appreciation to the officers and employees for their efforts which have contributed so substantially to the successful operation of the Company.

JOHN H. McMAHON
Chairman of the Board

M. G. CHACE, JR.
President

November 16, 1950

Significant

BERKSHIRE ANNUAL REPORTS TO

Not Including Warren Textile

	FISCAL			
	1950	1949	1948	1947
NET SALES IN DOLLARS	\$63,466,253	\$50,911,799	\$69,889,757	\$68,444,883
TOTAL TAXES, INCLUDING SOCIAL SECURITY, PROPERTY AND INCOME	5,095,604	3,033,576	10,405,712	9,948,371
TAXES PER SHARE OF COMMON STOCK	2.61	1.56	5.34	6.28
NET EARNINGS AVAILABLE FOR DIVIDENDS	4,098,514	2,502,448	13,157,672	12,842,173
EARNINGS PER SHARE OF COMMON STOCK	2.10	1.28	6.74	7.94
DIVIDENDS ON PREFERRED STOCK . .	—	—	19,978	279,105
DIVIDENDS PAID PER SHARE OF COMMON STOCK	1.40	2.40	2.40	1.17
WORKING CAPITAL	28,632,385	28,389,170	31,004,330	22,763,942
TOTAL CAPITAL	38,261,722	36,891,289	38,930,371	30,044,473
COMMON SHARES (End of Year) . .	1,948,629	1,948,629	* 1,948,629	* 1,583,094

**The number of shares of common stock changed in these years.*

Figures from

STOCKHOLDERS AND OTHER DATA

& Machinery Supply Company

YEARS

1946	1945	1944	1943	1942	1941
\$42,860,655	\$36,043,026	\$31,695,890	\$38,679,237	\$37,771,888	\$28,746,992
6,399,557	5,753,558	5,136,058	6,269,029	6,556,114	2,365,615
13.50	11.90	10.62	12.96	13.55	4.89
5,689,726	1,813,576	1,602,047	1,724,446	1,907,441	1,851,686
11.32	3.00	2.57	2.82	2.43	2.38
325,399	360,330	360,330	360,335	733,304	701,754
1.75	1.75	2.00	2.00	1.50	None
14,959,317	10,752,168	8,772,906	8,606,238	8,157,091	6,875,746
19,186,544	15,293,849	14,765,586	14,638,121	14,311,282	14,034,515
*473,986	483,669	483,669	483,669	483,669	483,669

Ber

FINE SPINNING A

Consolidated

SEPTEMBER

ASSETS

CURRENT ASSETS

Cash		\$ 6,355,377.01	
Accounts Receivable (Less Reserve \$379,402.29)		5,469,141.56	
U. S. Government Securities (Estimated Market Value \$4,852,889.65)		4,855,161.55	
Inventories (Note A)			
Raw Materials	\$4,108,226.75		
Stock in Process	1,856,383.87		
Cloth	8,547,593.46		
Waste	254,069.13	14,766,273.21	
TOTAL CURRENT ASSETS			\$31,445,953.33

OTHER ASSETS AND DEFERRED CHARGES

Investment in Correlated Companies		518,580.55	
Investment in and Advances to Warren Textile & Machinery Supply Co. (Note B)		318,686.69	
Plant Construction, Improvement and Replacement Fund (Note C)			
Cash	283,001.09		
Bonds — U. S. Government (Estimated Market Value \$6,626,629.38)	6,614,225.41		
Bonds — Other (Estimated Market Value \$194,603.36)	193,980.50	7,091,207.00	
Notes and Other Amounts Receivable		133,112.15	
Prepaid Insurance, Taxes and Other Assets		317,280.43	
Supplies Inventory, including Fuel		143,103.37	
TOTAL OTHER ASSETS AND DEFERRED CHARGES			8,521,970.19

PLANT ASSETS (Note D)

Properties Comprising Land, Buildings, Machinery, Equipment, and Developed Water Power	14,479,734.43		
Less: Depreciation Reserves	7,372,367.43	7,107,367.00	
TOTAL ASSETS			\$47,075,290.52

The accompanying Notes to Financial Stat

ckshire

ASSOCIATES, INC.

Balance Sheet

30, 1950

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Accounts and Vouchers Payable	\$ 1,831,592.10	
Taxes Accrued or Payable	510,912.20	
Social Security and Withholding Taxes Payable	471,063.83	
Provision for Federal Taxes on Income (Note E)	\$3,813,609.33	
Less: U. S. Treasury Savings Notes	3,813,609.33	None
TOTAL CURRENT LIABILITIES		\$ 2,813,568.13

RESERVE FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES 2,400,000.00

RESERVE FOR REPLACEMENT OF PLANT (necessitated by prevailing high costs) Beyond
Amount Provided by Current Depreciation Reserves 3,600,000.00

CAPITAL

Common Stock (Without Par Value)		
Authorized 3,000,000 Shares — Issued 1,948,629 Shares	10,824,812.50	
Capital Surplus	460,288.99	
Earned Surplus (Since September 30, 1939)	26,976,620.90	
TOTAL CAPITAL		38,261,722.39
TOTAL LIABILITIES AND CAPITAL		<u>\$47,075,290.52</u>

ements are an integral part of this report.



FINE SPINNING ASSOCIATES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 1950

BASIS OF CONSOLIDATION — The Consolidated Financial Statements include the accounts of all Subsidiary Companies except Warren Textile & Machinery Supply Co. which is wholly owned, but carried in the Balance Sheet as an Investment at Cost.

NOTE (A) — INVENTORIES

Raw Materials are priced at the "lower of Cost or Market", the material content of Stock in Process at a standard established in 1933, which is less than current market, and the "lower of Cost or Market" is the basis for materials in cloth. The standard cost basis, (approximating actual costs), is used in valuing Labor and Manufacturing Burden in Stock in Process, as well as Cloth. Waste is valued at Market. The verification of the Raw Materials, Stock in Process, and Cloth included a review of the Inventory records and procedure, physical examination of quantities during the fiscal year at all Mills, and confirmation by direct correspondence of merchandise quantities in the possession of Finishers.

NOTE (B) — INVESTMENT IN AND ADVANCES TO WARREN TEXTILE & MACHINERY SUPPLY CO.

The excess of the Company's equity in the Net Assets of Warren Textile & Machinery Supply Co. over its investment therein at September 30, 1950 amounted to \$115,300.39 and represents the undistributed Net Earnings of the Subsidiary since the date of incorporation. A Balance Sheet of this Subsidiary is included in this report.

NOTE (C) — PLANT CONSTRUCTION, IMPROVEMENT AND REPLACEMENT FUND

Of a Plant Fund totalling \$7,600,000.00, set aside by appropriate corporate action, there remains, after net disbursements of \$508,793.00, a balance amounting to \$7,091,207.00. This Fund is available for construction or acquisition of plant assets.

NOTE (D) — PLANT ASSETS

Plant Assets are stated in the Balance Sheet at Depreciated Book Values at April 1, 1934, plus additions subsequent to that date at Cost. Depreciation from the previously mentioned date has been charged to Operations on the basis of the useful lives or residual values of the various items of depreciable Plant Assets. Due to the abnormally high price level, Current Depreciation allowances inadequately provide for the cost of replacements. Therefore, during the fiscal year, there has been set aside, in addition to ordinary Depreciation Reserves, \$100,000.00 per month as partial Provision for Replacement of Plant. The amount of this Reserve has been funded by increase in Plant Construction, Improvement and Replacement Fund.

NOTE (E) — PROVISION FOR FEDERAL TAXES ON INCOME

The Company's Tax Returns have been inspected by the Audit Division of the Income Tax Unit for all years through September 30, 1947. The fiscal years ended September 30, 1948 and September 30, 1949, are in the process of examination by the Income Tax Unit, and, based upon this review to date, it is our opinion that the outstanding Reserve at September 30, 1950 adequately provides for tax liabilities to that date.

NOTE (F) — PURCHASE COMMITMENTS

The Company has outstanding Plant Asset and Cotton Commitments approximating \$14,700,000.00. The cotton is at prices less than current market.



FINE SPINNING ASSOCIATES, INC.

Condensed Consolidated Statement of Income and Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1950

SALES (Less Returns and Allowances)		\$63,466,253.27
Cost of Sales and Operating Expenses (Includes Depreciation \$571,229.90)		52,684,911.64
GROSS PROFIT		10,781,341.63
Selling and Administrative Expenses		1,848,521.23
PROFIT FROM OPERATIONS		8,932,820.40
Other Income		362,056.35
TOTAL		9,294,876.75
Other Deductions		139,682.47
PROFIT BEFORE INCOME TAXES AND FOLLOWING ADJUSTMENTS		9,155,194.28
Provision for Taxes on Income		3,890,000.00
PROFIT BEFORE FOLLOWING ADJUSTMENTS		5,265,194.28
Refund of Prior Years' State Taxes on Income	\$ (32,629.74)	
Gain on Dissolution — Ashland Plantation Co.	(690.30)	
Provision for Replacement of Plant (necessitated by prevailing high costs)		
Beyond Amount Provided by Current Depreciation Reserves	1,200,000.00	1,166,679.96
BALANCE OF PROFIT TRANSFERRED TO EARNED SURPLUS		4,098,514.32
Earned Surplus at Beginning of Year		25,606,187.18
TOTAL		29,704,701.50
Less: Dividends Paid in Cash:		
Common Stock @ \$1.40 a Share		2,728,080.60
EARNED SURPLUS (Since September 30, 1939) AT CLOSE OF YEAR		<u>\$26,976,620.90</u>

Consolidated Capital Surplus Account

SEPTEMBER 30, 1950

CAPITAL SURPLUS BALANCE AT SEPTEMBER 30, 1950 (No Change During Year)	\$ 460,288.99
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CERTIFICATE OF AUDITORS

We have examined the Consolidated Balance Sheet of Berkshire Fine Spinning Associates, Inc. and its subsidiaries at September 30, 1950 and the Consolidated Statements of Income, Capital and Earned Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income, Capital and Earned Surplus, with the notations thereto, fairly present the Company's consolidated financial position at September 30, 1950 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 20, 1950.



WARREN TEXTILE & MACHINERY SUPPLY CO.

Balance Sheet

SEPTEMBER 30, 1950

ASSETS

CURRENT ASSETS	
Cash	\$ 10,402.25
Accounts Receivable	1,037.02
Inventories (Lower of Cost or Market)	205,342.11
TOTAL CURRENT ASSETS	\$216,781.38
DEFERRED CHARGES	
Prepaid Insurance and Taxes	9,900.57
PLANT ASSETS	
Properties Comprising Land, Buildings, Machinery and Equipment (At Cost)	399,672.38
Less: Depreciation Reserves	142,986.53
	<u>256,685.85</u>
TOTAL ASSETS	<u>\$483,367.80</u>

LIABILITIES AND CAPITAL

CURRENT LIABILITIES	
Accounts and Vouchers Payable	25,838.10
Taxes Accrued or Payable	8,924.19
Social Security and Withholding Taxes Payable	6,270.47
Provision for Federal Taxes on Income	8,347.96
TOTAL CURRENT LIABILITIES	49,380.72
DUE BERKSHIRE FINE SPINNING ASSOCIATES, INC.	288,686.69
CAPITAL	
Common Stock (300 Shares — No Par Value)	30,000.00
Earned Surplus — September 30, 1949	\$99,720.20
Revenue Agent's Adjustments of Plant Assets — Net: For the Fiscal Years Ended September 30, 1948 and September 30, 1949	\$13,026.67
Less: Additional Provision for Federal Income Taxes Thereon	5,621.69 7,404.98
Profit for Year Transferred to Surplus	<u>8,175.21</u>
Earned Surplus — September 30, 1950	<u>115,300.39</u>
TOTAL CAPITAL	145,300.39
TOTAL LIABILITIES AND CAPITAL	<u>\$483,367.80</u>

CERTIFICATE OF AUDITORS

We have examined the Balance Sheet of Warren Textile & Machinery Supply Co. at September 30, 1950 and the Statement of Income and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and related Statement of Income and Surplus fairly present the position of Warren Textile & Machinery Supply Co. at September 30, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 20, 1950.



FINE SPINNING ASSOCIATES, INC.

OWNERS

The Company had 11,827 stockholders on September 30, 1950.

DIRECTORS

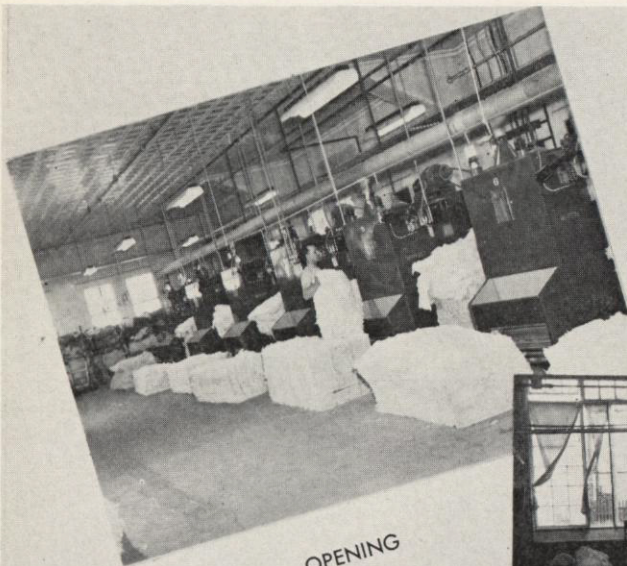
JAMES C. BRADY	*JOHN H. McMAHON
JONATHAN CHACE	IRWIN L. MOORE
*MALCOLM G. CHACE	HENRY S. NEWCOMBE
*MALCOLM G. CHACE, JR.	WILLIAM A. O'HEARN
LINSLEY V. DODGE	WILLIAM C. PLUNKETT
MANLIO FROVA	*GIBBS W. SHERRILL
ARTHUR INGRAHAM, JR.	THOMAS F. TANSEY
THOMAS J. KENNEDY	AVERY K. WHITE
W. R. L. MCBEE	FREDERICK C. WILLIAMS

A. N. WINSLOW, JR.

*Executive Committee

OFFICERS

<i>Chairman of the Board</i>	JOHN H. McMAHON
<i>President and Treasurer</i>	MALCOLM G. CHACE, JR.
<i>Vice President</i>	LINSLEY V. DODGE
<i>Vice President</i>	MANLIO FROVA
<i>Vice President</i>	THOMAS J. KENNEDY
<i>Vice President</i>	HENRY S. NEWCOMBE
<i>Vice President and Clerk</i>	GIBBS W. SHERRILL
<i>Vice President</i>	THOMAS F. TANSEY
<i>Vice President</i>	AVERY K. WHITE
<i>Assistant Treasurer</i>	EDWARD H. ARNOLD
<i>Assistant Secretary</i>	JOHN J. McMAHON



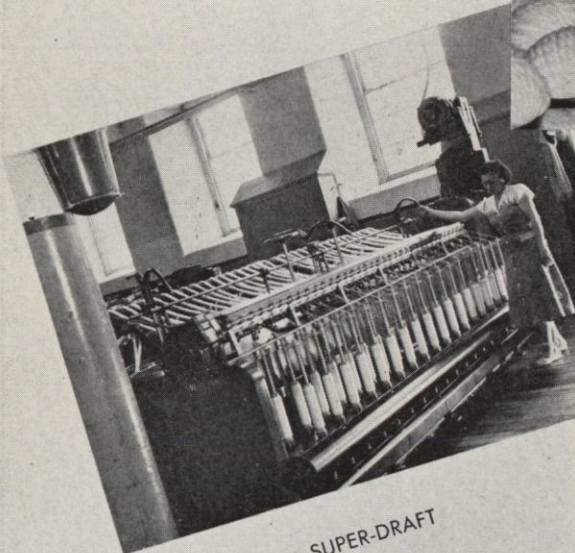
OPENING



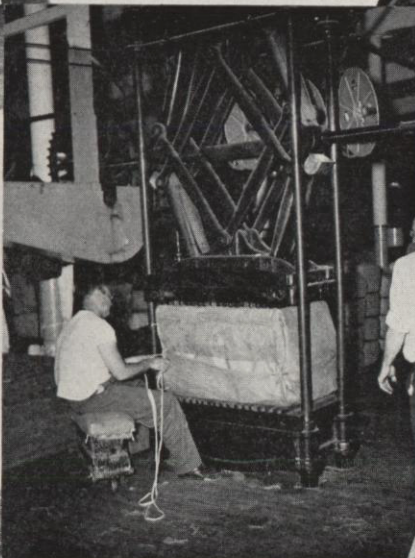
COMBER
SLIVER



COMBING



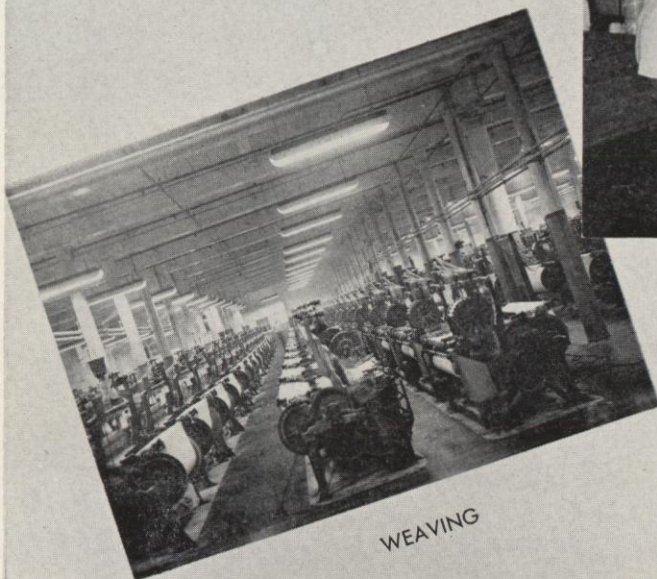
SUPER-DRAFT



BALING



SPINNING



WEAVING



INSPECTING

FINE COMBED COTTONS

Berkshire

MEN'S WOMEN'S
AND CHILDREN'S
WEARING
APPAREL

lawns
voiles
piques
poplins
pongees
dimities
organdies
shirtings
swiss dots
broadcloths
handkerchiefs
marquisesettes

AND HOME FURNISHINGS

Berkshire

FINE SPINNING ASSOCIATES, INC.
TURKS HEAD BLDG. PROVIDENCE, R. I.
NEW YORK SALES OFFICE 40 WORTH ST.

